

ORIGINAL

Decision No. 6754S

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

JOHN D. LARKIN, ET AL.
All Residents of the Community of
Weaverville, County of Trinity,

Complainants,

vs.

CALIFORNIA-PACIFIC UTILITIES
COMPANY, a corporation,

Defendant.

Case No. 7785
(Filed November 20, 1963)

John D. "Jack" Larkin and David L. Johnson, for
complainants,
Bob Keller, for defendant,
David LaHue, for the Commission staff.

O P I N I O N

Complainants seek an order directing defendant to reduce water rates in general in its Weaverville Division or to establish therein reduced rates for irrigation service.

A public hearing on this complaint was held before Examiner Catey at Weaverville on April 7, 1964, and the matter was submitted on April 29, 1964, the date of filing of the reporter's transcript of that hearing. Copies of the complaint, defendant's answer, and notice of hearing had been served in accordance with this Commission's rules of procedure. Testimony in support of complainants' position was presented by 13 of defendant's customers. Defendant presented testimony by three of its officers or employees, who also were called as adverse witnesses by complainants to present certain additional information.

Complainants and Defendant

John D. Larkin and the approximately 250 other complainants in this proceeding are all residents of the unincorporated community of Weaverville, in Trinity County. Complainants receive service from defendant's Weaverville Division Water System.

Defendant supplies one or more of its public utility services (electric, gas, water and telephone) to some 86 widely scattered communities in California, Oregon, Nevada, Utah, Idaho, Wyoming and Arizona. In Weaverville, defendant provides electric and water service.

Rates

Defendant's present rates for metered water service in Weaverville were established by Decision No. 64255, dated September 13, 1962, in Application No. 43941. The rates previously in effect had been adopted from defendant's predecessor upon transfer of the system in 1956. Those rates had been in effect since 1949. Following is a comparison of defendant's general metered service rates prior to 1962, those now in effect, and the revised rates prescribed by the order herein, all based upon service through a 5/8 by 3/4-inch meter:

Table IComparison of Rates

<u>Item</u>	<u>Previous</u>	<u>Present</u>	<u>Revised</u>
First 500 cu.ft.	\$2.00	\$2.00	\$2.50
Next 500 cu.ft., per 100 cu.ft.	0.00*	.35	.35
Next 1,000 cu.ft., per 100 cu.ft.	0.15	.35	.35
Next 1,000 cu.ft., per 100 cu.ft.	0.15	.32	.27
Next 2,000 cu.ft., per 100 cu.ft.	0.10	.32	.27
Over 5,000 cu.ft., per 100 cu.ft.	0.10	.27	.20

* Included in minimum charge.

One of complainants' witnesses presented comparisons of annual revenue per customer produced by defendant's water system in Weaverville with corresponding data for other California utilities. These comparisons show that the water bills in Weaverville are higher than in many other communities and also higher than the average of all Class A and Class B water utilities in California. This does not prove, however, that defendant's rates are too high, because differences in revenue per customer can result from many variable factors. The principal factors are consumption per customer, utility investment and expenses per customer, and rate of return realized on the utility investment. All of these factors were analyzed and considered by this Commission when it established defendant's rates in 1962.

Revenue Requirement

The present Weaverville water rates were based primarily on estimates presented by the Commission staff in Exhibit No. 10 of Application No. 43941, which showed that a rate of return of less than three percent on rate base would be realized therefrom under normal conditions in the test year 1962. Defendant's Exhibit No. 5 herein shows that the actual rate of return for 1963 was about one-half percent lower than estimated for 1962 by the staff. Complainants' Exhibit No. 1 shows that, during the summer of 1963, the average relative humidity was higher than normal, the average temperature was lower than normal, and the average wind velocity was lower than normal. Although these three factors were developed for the purpose of determining a fire danger rating, the same factors would tend to reduce water consumption below a normal level, which would contribute to the lower rate of return on

defendant's rate base than was estimated by the staff. The record in this proceeding does not support any different revenue requirement than that upon which present rates were based.

Although the revised rates prescribed herein would produce slightly less revenue than would be produced by the present rates, assuming equal water consumption in each case, the revised rates should encourage greater use of water for irrigation. This increased use should produce additional revenues without corresponding increases in defendant's expenses, thereby retaining defendant's present earnings position.

Rate Spread

The present Weaverville water rates are lower than they would have been if defendant had requested and been granted a more nearly normal return on rate base in 1962. A comparison of the present rates with those previously in effect shows that more of the benefit of the low rate of return was passed on to consumers having low water usage than to heavy users. For example, a consumer using 500 cubic feet of water or less during any month would pay the same \$2.00 for that month under present rates as he would have paid under the previous rates. In contrast, a customer using more than 500 cubic feet per month pays increases ranging up to 170 percent over the charges at the previous rate levels. This disparity in percentage increase was protested by several witnesses for complainants.

Testimony in this proceeding indicates that many of the customers using relatively large amounts of water are retired or semi-retired persons who must supplement their limited incomes by maintaining small truck gardens. Other retired residents maintain

flower gardens and lawns as a hobby. Their testimony indicates that a reduced rate for large quantities of water would tend to encourage the beneficial use of greater quantities of irrigation water.

Rate increases often result in different percentages of increase for various usages of water. Indeed, such differences are often necessary to eliminate previous inequities that may have developed in a rate structure due to changes in operations since the rate structure was established. In view of the evidence in this proceeding, it now appears that a more uniform distribution of increase over the previous rates is justified.

Findings and Conclusion

The Commission finds that:

1. The rate of return of about 3 percent produced by defendant's present Weaverville water rates is not in excess of a reasonable rate of return, but the distribution of charges to the various rate blocks should be revised.

2. The revised rates set forth in Appendix A to the order herein should produce essentially the same annual revenues as defendant's present rates.

3. The increases and decreases in charges at various levels of water consumption resulting from the rates authorized herein are justified, the rates and charges authorized herein are reasonable, and the present rates and charges, insofar as they differ from those prescribed herein, are for the future unjust and unreasonable.

The Commission concludes that defendant's Weaverville water rates for general metered service should be revised as provided in the order to follow.

O R D E R

IT IS ORDERED that within four days after the effective date of this order, defendant California-Pacific Utilities Company shall file the revised schedule of rates set forth in Appendix A to this order. Such filing shall comply with General Order No. 96-A. The revised rate schedule shall become effective for service rendered on and after September 1, 1964, at which time defendant shall cancel present tariff Cal. P.U.C. Sheet No. 310-W.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 21st day of JULY, 1964.

Fredrick B. Hallock
President
John E. Mitchell
Carol W. Keene
George J. Hoover
Stella M. Beards
Commissioners

APPENDIX A

Schedule No. WE-1

Weaverville Division Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Weaverville and vicinity, Trinity County.

RATES

	<u>Per Meter</u>	
	<u>Per Month</u>	
Quantity Rates:		
First 500 cu.ft., or less	\$ 2.50	(I)
Next 1,500 cu.ft., per 100 cu.ft.35	
Next 3,000 cu.ft., per 100 cu.ft.27	(D)
Over 5,000 cu.ft., per 100 cu.ft.20	(D)
Minimum Charge:		
For 5/8 x 3/4-inch meter	\$ 2.50	(I)
For 3/4-inch meter	3.25	
For 1-inch meter	5.00	
For 1 1/2-inch meter	9.00	
For 2-inch meter	13.00	
For 3-inch meter	21.00	
For 4-inch meter	30.00	
For 6-inch meter	55.00	
For 8-inch meter	90.00	
For 10-inch meter	130.00	(I)

The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Quantity Rates.